



Repayment Help for Federal Student Loans

What You Need to Know for Successful Loan Repayment

Defaulting on your student loans is a huge deal. Like any other debt, student loans are important financial and legal obligations that should not be taken lightly. If you ever experience difficulties making on-time payments, you should immediately contact your loan holder to discuss your options rather than miss a payment. The following information will explain the tools you need to avoid such a serious financial mistake.

Deferment

Deferment is a tool that allows borrowers to postpone payments. During periods of authorized deferments, the federal government pays the interest that accrues on subsidized Stafford Loans. New borrowers* are entitled to receive deferments if they meet the eligibility criteria for the following deferment types:

- **In-school:** borrower or student beneficiary of a Parent PLUS loan must be enrolled at least half time
 - No time limit
 - For Grad PLUS or Parent PLUS**, includes additional 6 months after the borrower or student beneficiary of a Parent PLUS loan ceases to be enrolled at least half time
- **Education-Related:** must be in a graduate fellowship or rehabilitation training.
 - No time limit
- **Military Service:** must be serving on active duty during war, military operation or national emergency.
 - No time limit
- **Military Active Duty-Student:** member of National Guard or Reserves (including retirees) called to active duty when enrolled in school at least half time or within 6 months of being enrolled.
 - 13-month limit per event
- **Unemployment:** must be working less than 30 hours per week and seeking full-time employment through an employment service.
 - Maximum of 3 years
- **Economic Hardship:** must meet one of the following criteria: qualify for economic hardship under another program; serving as a Peace Corp volunteer; on public assistance; earn no more than 150% of the poverty line for their family size; or meet other income requirements.
 - Maximum of 3 years

* Borrowers with loans made prior to 7/1/93 may be eligible for other types of deferments.

** Not automatic for Parent PLUS borrowers; deferment must be requested

Forbearance

Forbearance is another tool that allows borrowers to postpone payments. The borrower is responsible for interest accrual, including interest that accrues on subsidized Stafford Loans, during authorized forbearance periods. Borrowers may qualify for the following forbearance types:

- **Administrative:** generally applicable to borrowers in active bankruptcy, borrowers who are awaiting a loan discharge determination, or borrowers who are affected by a natural disaster.
- **Mandatory:** generally applicable to borrowers who meet one of the following conditions:
 - Borrower is in a dental or medical residency program and has no deferment eligibility.
 - Borrower's combined monthly payment on federal student loans equals or exceeds 20 percent of his or her gross monthly income.
 - Borrower performs a service for which he or she will receive a National Service Educational Award from Americorps
 - Borrower performs a service that qualifies for the Federal Teacher Loan Forgiveness Program.
 - Borrower performs a service that qualifies for the Student Loan Repayment Programs administered by the U.S. Department of Defense.
 - Borrower is affected by a local or national emergency, or lives in a federally-designated disaster area.
- **Discretionary:** available at the lender's discretion to assist a borrower in meeting repayment obligations and preventing default.

Iowa College Student Aid Commission

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Your Financial Aid Connection

Discharge

Discharge (or cancellation) is the release of a borrower's obligation to repay his or her loan, either in whole or in part, under specific circumstances which include:

- **Death**: either the death of the borrower or the student beneficiary of a Parent PLUS loan.
- **Total and Permanent Disability**: the borrower must have a physician or the Secretary of Veterans Affairs certify that he or she is unable to work and earn money.
- **Closed School*****: when the student's school closes without providing the student an opportunity to complete his or her program of study.
- **Public Service**: outstanding non-defaulted Federal Direct Loan balance is discharged if, after October 1, 2007, a borrower makes 120 payments on the loan while employed full time in a public service job.
- **False Certification*****: a borrower may receive a false certification discharge for the following reasons:
 - Ability to Benefit: student did not meet the requirements for admission on the basis of ability to benefit
 - Unauthorized Signature/Unauthorized Payment: school falsely certified the loan application or forged the borrower's signature on the disbursement check
 - Disqualifying Status: student must have been unable (at the time the school certified or originated the loan) to meet the legal requirements for employment in the occupation for which the program of study was intended because of age, physical or mental condition, criminal record or other reason
 - Identity Theft: available to an individual named as the borrower who did not sign the promissory note, did not benefit from the loan funds and has a criminal court judgment that states the individual is a victim of identity theft by a perpetrator named in the judgment
- **Bankruptcy**: borrower has to prove to the bankruptcy court that repayment of federal student loans would constitute an undue hardship.
- **Spouses and Parents of 9/11/01 Victims**: available to spouses and parents of eligible public servants and eligible victims who died or became totally and permanently disabled due to physical injuries suffered in the September 11, 2001, terrorist attacks.

- **Unpaid Refund*****: the borrower withdrew from the school within a time frame that entitled the borrower to a refund but the borrower did not receive the benefit of that refund.
- **Other**: in addition to the federal discharge conditions previously listed, other loan forgiveness or repayment programs may be available through federal and state programs and other private organizations. The State of Iowa offers loan forgiveness to eligible teachers, nurse educators, registered nurses and chiropractors serving in Iowa. More information about the State of Iowa forgiveness programs can be found on the Iowa College Aid website at www.iowaCollegeAid.gov.

*** Only available to borrowers who received loan funds on/after 1/1/86.

Getting Out of Default

There are only two ways to get out of default:

- Pay your loan in full.
- Rehabilitate your loan.
 - In order to rehabilitate the loan you must make nine on-time, full, voluntary, monthly payments of an amount acceptable to your loan holder during a period of 10 consecutive months

Your Financial Aid Connection

Iowa College Aid provides free information and resources to Iowa families interested in pursuing education opportunities beyond high school. We are here to help you understand your student loans and to guide you through repayment. We want to help you succeed. You may reach us at:

Phone: 877-272-4456

Email: info@iowacollegeaid.gov

Website: www.iowaCollegeAid.gov

Your Loan Servicer Information

Staying in contact with your loan servicer is important for successful repayment. List the contact information for your loan servicer below:

Loan Type	Lender	Phone #

